

r e f o r m
w e e k III

P e r f o r m a n c e -
b a s e d
w o r k
s t a t e m e n t s

Facilitator Guide

Acquisition Reform Week III Performance-Based Work Statements

Scope of Seminar

Recent FAR initiatives in Performance-Based Contracting present opportunities to receive higher quality service for lower prices by providing suppliers with increased flexibility in the way they meet government requirements. This seminar focuses on using performance-based contracts for services, and on the important issues and steps leading to the creation of the Performance Work Statement (PWS). The discussion includes application of market research, measurable performance standards and interfaces, creating the PWS along with several in-class discussion examples. *

Instructions to Facilitators

Each Acquisition Reform Week III seminar takes approximately one and one-half hours to complete. To maximize the potential for participants to gain an overall understanding of the subject, we suggest you hand out presentation materials 2-to-24 hours in advance. If participants read the information before the seminar, the facilitator can conduct a brief recap and then devote a significant portion of the time to practical experience such as exercises, e.g. working through the scenario which demonstrates the principles outlined in the presentation.

As Facilitator you will need a copy of the full package which is detailed below. Participants should receive item #2 in advance, if possible: item #3 should be handed out in the seminar. Item #1 and #4 are for the exclusive use of the Facilitator.

Included in this file are the following:

1. Facilitator Guide.....	1-2
2. Overview and Presentation for Participants	3-32
3. Exercises Templates.....	33-35
4. Solution	36

TIP: Print pages in the order noted so you will have one complete package. Then, duplicate individual sections as needed depending on number of participants. This will ensure materials are in correct order and will reduce the risk of the file being too large for computer or printer equipment to handle with ease.

Main Teaching Points

These are the three main teaching points in this seminar. Before proceeding to the practice session, make sure participants understand the following:

1. Acquisition plans for service contracts must either discuss the performance-based nature of the acquisition, or specifically state why such procedures were not adopted.
2. Through the use of market research most services required by DoD may also be found in the commercial marketplace. The use of commercial-based solutions present great benefit to DoD.
3. Due to the nature of its mission DoD requires performance under seemingly non-commercial conditions. Some conditions may be interfaces which do not prevent the use of commercial solutions.

*This seminar was tailored from materials used in the 3 day Advanced Acquisition Reform Training Workshop, developed and presented by the BRTRC Institute for HQ Department of Army. For more information please contact (703) 205-1593, or visit our website at: <http://institute.brtrc.com>.

Overview and Presentation for Participants

Acquisition Reform Week III Performance-Based Work Statements

Overview

Welcome to the Acquisition Reform Week III seminar, Performance-Based Work Statements. This session is designed to help participants do the following:

1. Understand the process of comparing requirements to commercial capabilities using market research.
2. Identify interfaces between DoD requirements and commercial solutions.
3. Recognize the elements of performance-based requirements.
4. Be familiar with the evaluation factor selection process.

Exercise Objective

The exercises included in the seminar are intended to enable participants to create performance work statements. The learning process will take place through a series of sequentially related in-class exercises where each participant is part of a multifunctional team. The training is structured in the following order:

1. Work-breakdown structure designed to focus on requirement analysis.
2. Commerciality determination designed to focus on market research.
3. Interfaces between DoD requirements and commercial requirements.
4. Identify Performance-Based requirements.
5. Critiquing existing requirements.
6. Selection of evaluation factors.

Instructions to Participants

Please review the presentation. Be prepared to ask questions and/or participate in a brief recap. The seminar will include a series of in-class exercises which will test your understanding of the principles captured in the presentation material and give you hands-on experience in completing Performance-Based Work Statements.

Performance-Based Work Statements

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Structuring all aspects of an acquisition around the purpose of the work as opposed to the manner of performance or broad, imprecise statements of work

37.101

Benefits:

➤ Innovation

- More affordable Services
- Faster-Better-Cheaper
- Pay for Performance
- Metrics



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Performance-Based Work Statements

1

Although Performance-Based Contracts (PBC) apply to both items and services, this module presents information concerning performance work statements as it applies to service contracts. The module focuses on the important work leading up to and included in Performance Work Statement (PWS).

Let's start with the new FAR definition of PBC

These benefits accrue to the Agency from using performance-based contracts:

- A performance-based approach leverages the **innovation** of the commercial marketplace. "Tried and true" approaches used in the last contract may be woefully out of date. Allow commercial business to propose the same innovative methods and approaches used in the commercial sector.
- Stating requirements -NOT SOLUTIONS- encourages proposals from many contractors. Increased competition results in **more affordable** services.
- Faster-Better-Cheaper is the watchword of affordability. Performance-Based contracts support this objective.
- A stated goal of Performance-Based contracts is to pay according to the degree the requirements are met.
- Identifying actual requirements rather than telling industry how to meet them, allows for **metrics**. Metrics allows us to measure achievement of the requirements.

Performance-Based Contracting Goals

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- Ensure Quality levels achieved
- Price related to degree standards met

Applied to:
Follow-on/repetitive requirements



Two of the most important objectives of this policy change are obvious even to one not accustomed to service contracts. The first objective is the notion that PBC should ensure that required performance quality levels are achieved. Its companion objective is that total payment must be related to the degree that services performed met the contract standards! The practice of these policies represents a significant change from how contracting was done in the past.

Commercial Activities

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**OMB A-76 requires
performance-based
work statements**

**Competitions for
150,000 FTE**



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Performance-Based Work Statements

3

This year, DoD is increasing significantly the number of functions it will compete. The military departments and defense agencies will conduct OMB Circular A-76 studies involving 34,000 positions.

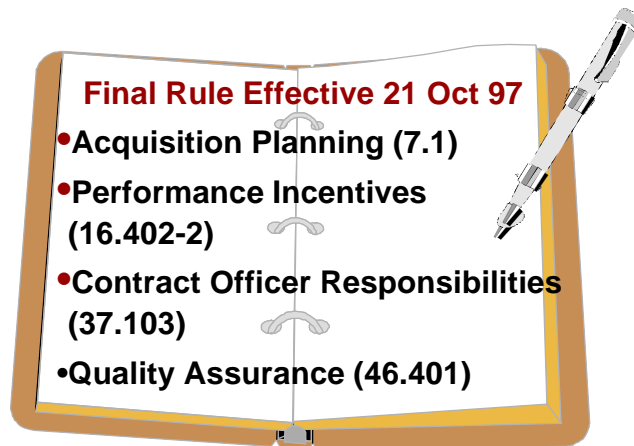
Additionally, the Department will pursue A-76 competitions involving 30,000 full time equivalents (FTE) in each of the next four fiscal years. for a total of approximately 150,000 FTEs. This annual effort represents more than a three-fold increase over any year in the previous two decades.

The A-76 Supplemental Handbook tells us the PWS will be performance oriented. This is an important concept because it requires the study team to go through a process to ensure that critical top level functions are identified, and, that the PWS does not limit service options.

PWS will play a large role in up-coming solicitations for A-76 competitions.

Recent Regulatory Emphasis

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4

The final rule on service contracting became effective 1 Oct 97. The intent of the new language is to avoid problems commonly found with service contracts resulting from:

- Unnecessarily vague statements of work which increase costs.
- Insufficient use of fixed price and incentive fee pricing arrangements for repetitive requirements resulting in increased costs and inadequate incentive to improve performance.
- Inadequate contract administration plans which leads to unauthorized commitments and delayed contract completion, such as Quality Assurance Surveillance Plans (QASP), vaguely written on requiring intense Quality Assurance Evaluator (QAE) effort, or the use of negative incentives which were not tied to the QASP. The new language complements DoD's provision to discourage uncompensated overtime in proposals from the entire professional and technical services industry.
- New FAR language strengthens the preference for PBC for services in several Parts- from Acquisition Planning to Performance Incentives to guidance for the contracting officer in Part 37. A new sub-section of Part 37, 37.6, describes the policies and procedures for PBS methods.

Lets take a closer look...

Acquisition Planning

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Acquisition Plans:

- Describe strategy to implement PBC method
- Statement of Need
- Capability or Performance
- Service Descriptions
- Contract Administration



Agency Head:

- Use knowledge from prior acquisitions to refine requirements and strategies
- Greater use of PBC methods for service contracts



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5

The new guidance for Acquisition Planning is focused on an oversight responsibility of the Agency Head and new requirements in acquisition plans.

Notice the first check mark under Agency Head: “refine requirements and strategies.” This is far-reaching. We’ll see it again in Part 37 as a contracting officer requirement. The User’s challenge is to break the mold of the way “it has always been done.”

[7.1] The Agency-head should ensure that knowledge gained from prior acquisitions is used to further refine requirements and acquisition strategies. It specifically cites PBC methods and, therefore, fixed price contracts should occur for follow-up contracts.

[7.105] Additionally, Part 7 requires acquisition plans for service contracts to describe its PBC nature or rationale for not using those methods.

Quality Assurance Surveillance Plans

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- Develop in Conjunction with PWS
- Reflects the performance outcomes
- Creates metrics



16.402-2



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Performance-Based Work Statements

6


Incentives attempt to increase performance or to control/reduce costs. As requirements become complex, the Government incurs an increasing share of cost risk. Incentives are applied to the selection of contract type.

Have we incentivized areas key to the user, and used enough incentive to motivate the contractor? Incentives should tie directly to key requirements such as quantity accomplished, error rate, etc.

Contract incentive provisions ensure that contractors are rewarded for good performance and discouraged (even provide negative incentives) from unsatisfactory performance.

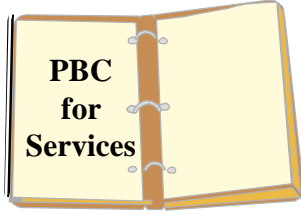
Positive and Negative incentives shall be considered in connection with service contracts for objectively measured tasks when **quality** of performance is critical and such incentives will motivate the contractor.

The Nature of Performance Incentives




➤ Improved Performance

➤ Cost Control



Relate Profit/Fee to results
Positive/Negative incentives
with service contracts
Performance standards



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16.402-2

6

The new contracting officer responsibility in Part 37 is simply put, but broad in application. In prior years contracting officers were “encouraged” to adopt performance-based methods. Now the rule says they “are to be used to the maximum extent practicable”. If PBC is not used, the contracting officer must justify other methods. It should no longer be sufficient to say we have never done it that way before!” The initial work will fall back to the user who must describe results rather than methods.

Part 46 on Quality Assurance says that the QA Surveillance Plan which must be developed for PBC should be prepared in conjunction with the PWS. This makes sense. If we can describe results, then we should be able to describe how we will measure acceptable performance. This is the basis of our QA Surveillance Plan. We must specify the work requiring surveillance and the method in the QASP.

We must address non-conforming performance of services. If rework is impractical, the contracting officer can consider the value (i.e. damage to the Government) of the individual work requirements or tasks that may be subject to fee or price reduction. This value may be used to determine an equitable adjustment for non-conforming services.

Ensure Quality Levels Achieved

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“Total Payment related to degree standards met”



Achieved through:

- ♦ Describing results- not methods
- ♦ Measurable standards
- ♦ Procedures to reduce fee/price
- ♦ Performance incentives



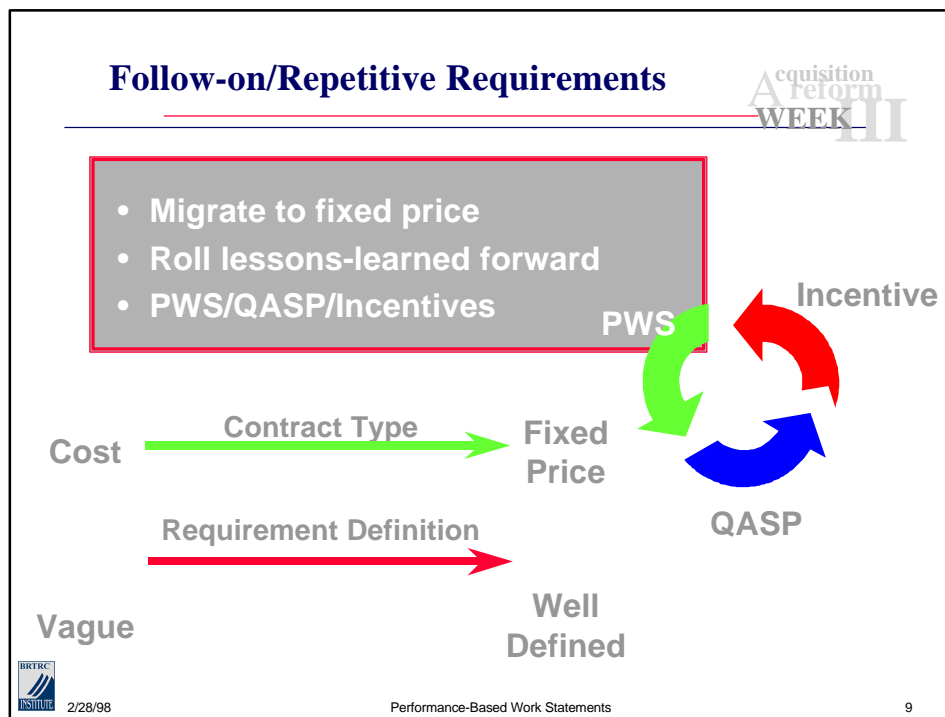
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Performance-Based Work Statements

8

Policy tells us that the total payment is related to the degree that services performed meet contract standards. Part 37 introduces the four issues that we should be concerned with during the procurement planning phase.

- Visualize the result, ONLY the result. Block out issues dealing with HOW the work will be done. See a completed task- then describe it in the PWS.
- Continuing to visualize, what are the attributes of the result. How will you know if it meets your standard? Look closely at the result you want. What are the quality elements? Timeliness? Quantity?
- What happens when the result is less than you expect (and REQUIRE)? Can the result be fixed by re-performance? Or is there no recovery from poor performance? In the latter-and possibly the former as well- do you have a method to gauge the damage and deduct that from the contractor's total payment?
- The results you describe should always reflect your minimum requirements. However, through innovation and technology, your results may be exceeded. Is this important to you? How about cost control? If these issues are important to the user, we convey that business issue to the contractor through an incentive- a reward for certain performance beyond the threshold requirement.



There are three important considerations for effective PBS for services:

- Rolling forward lessons learned from the previous contract must have this effect: Requirements are more sharply defined, surveillance plans key on critical performance, incentives can be refined to motivate the contractor to provide the best value to the Government.
- Repetitive requirements for the same or similar service reduce performance risk for both the Government and the contractor. Why? We have historical price data available to develop a more realistic Government Cost Estimate. The GCE can be shared with the Contractor. The contractor in turn, has a better understanding of requirements. A bigger share of Performance risk is given to the contractor as the contract vehicle migrates from cost type contracts to fixed-price contracts.
- The Acquisition Plan must tie together these three critical elements of PBC for services.

Requirement Analysis

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- Historical workload analysis or workload estimate
- Top level performance objectives
- Interfaces
- Breaking up umbrella contracts



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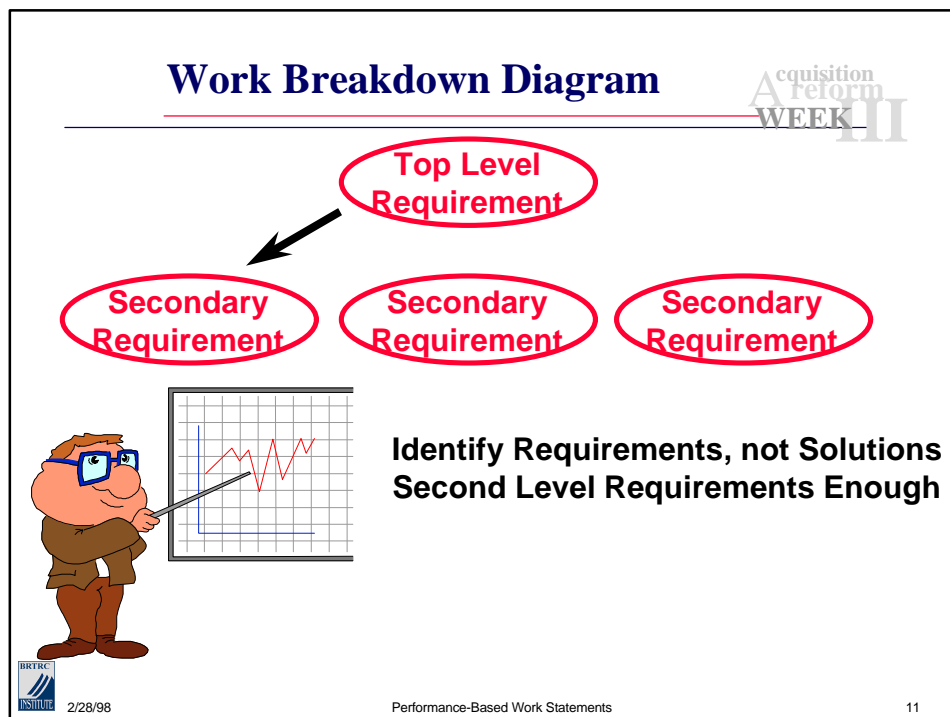
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Begin with the **CURRENT** contract and search backward in time to determine historical workload. This is also a great opportunity to discover “requirements creep”, requirements added to the contract over time but never anticipated or required by the user.

Identify the top level requirement in 2-3 words such as “Provide food service,” “Maintain IT system”. Secondary requirements are determined in the same way, creating a tree-shaped diagram. We’ll look at “Work Breakdown Structures” (WBS) on the next charts.

What “special” requirements are attached to the service you are competing for award? They will need to be identified to potential offerors in your solicitation.

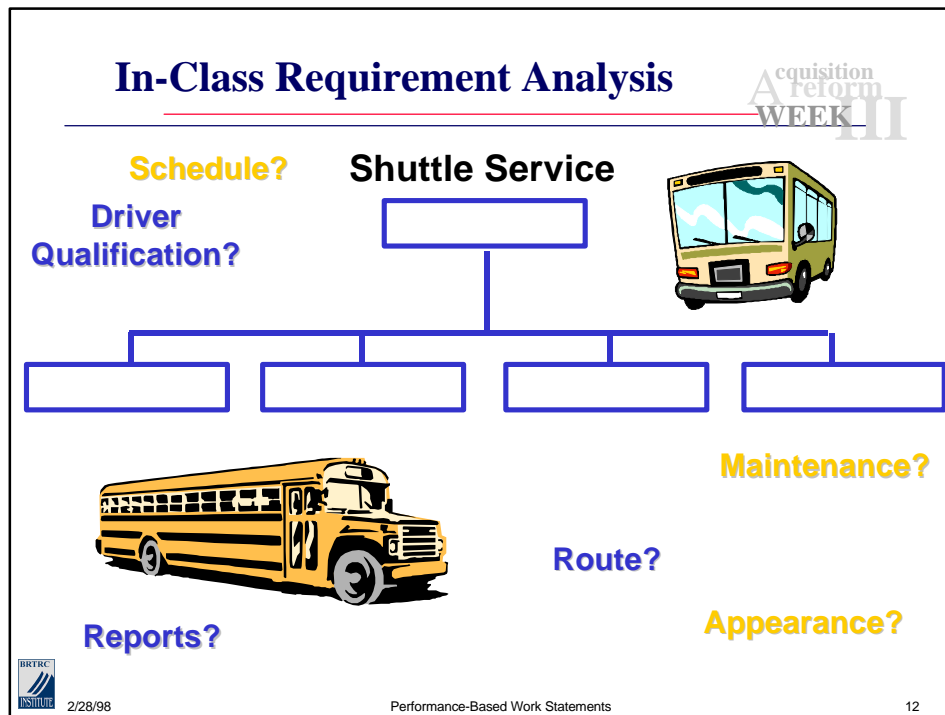
Is this PBC part of a larger contract effort? Many so-called umbrella contracts have dissimilar requirements. In an attempt to consolidate, we may have mistakenly opted for mediocrity. Such requirements with unsatisfactory performance may be taken from the umbrella and awarded separately. Conversely, contracting officers should analyze the benefits for consolidation, particularly for follow-up requirements for technical and professional services under DoD’s Consolidation of Contract Requirements memorandum.



This is a work breakdown structure. It's a decision tool to identify and prioritize requirements. You will start with your current contract; break it down by requirement. Is this what you want? If you are converting an existing contract to a PBC, you will be more specific about what you want and less specific about how the contractor will achieve it.

Secondary requirements derive from the first. For example, if the top level requirement on the existing contract was **Provide Food Service**, and the secondary requirements were **submission of usage reports**, **cleanliness of facilities** and **cost control measures**, what can you surmise about customer satisfaction? Quality and presentation of food are never mentioned! These reflect the low usage but high degree of cost control. Now that you have discovered the current contract priorities, you must restate them (ask the customer).

Let's put ourselves in the role of the customer in the in-class example on the next chart.



You are in charge of on-base transportation for your installation. The shuttle bus contract is up for renewal and the contracting officer wants to change it to a PBC. You are asked to restate your requirements. The following background is given:

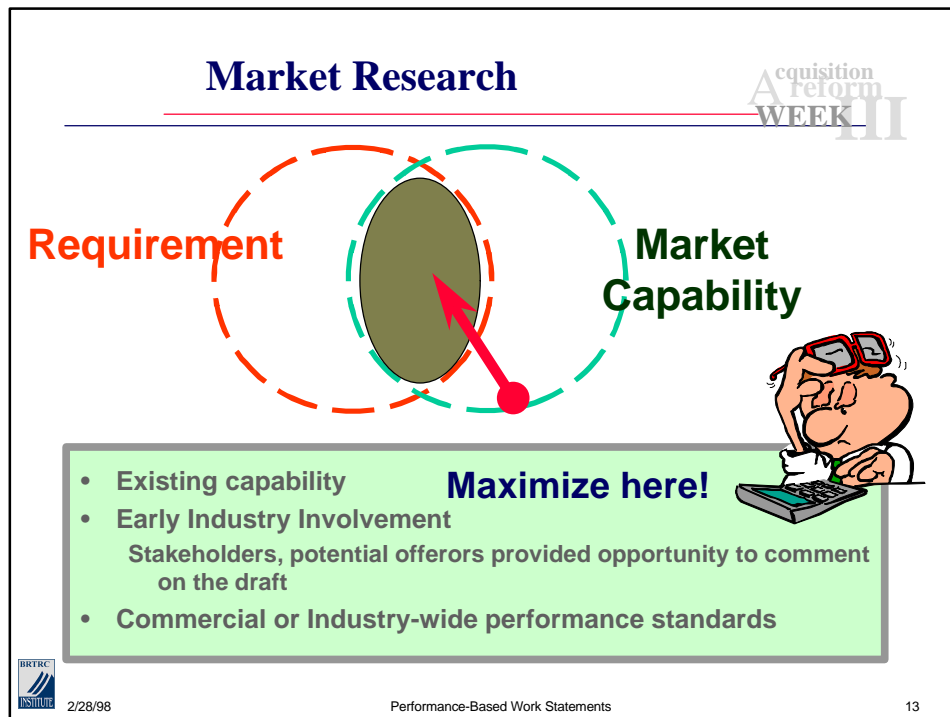
The shuttle bus is used to move employees efficiently to work centers during business hours for official business. The installation has 12 locations considered key to business.

Presently, the bus stops at these 12 locations along with several unofficial stops located near Food Courts and employee parking lots, making the schedule a laugh. All shuttle vehicles are buses with capacity varying from 15-44 passenger. Buses begin at 0800 and continue to 1700. Early morning riders are few. During late afternoon buses are clogged with riders a large portion looking for a ride to the parking lot.

Prepare a WBS to the second tier identifying at least 4 requirements.

Have you limited innovation by stating how to perform a task?

A template will be handed out in class so this template can be completed.



Once we have identified our top-level requirements.....we begin the next step which will eventually become our PWS- Market Research.

The purpose of market research at this point is to find out whether the capability to perform the service we require already exists in the commercial market place. In our in-class example on shuttle service, the answer is a quick YES! But sometimes it won't be that easy. We may have to compare "unequal" information or incomplete data.

Get the market sector involved early. Issue requests for information to determine sources and capabilities. Issue draft solicitations - perhaps on an electronic bulletin board to get faster feedback - to determine business practices and industry standards.

Each service industry will have a set of standards both in performance and business practice.

Compare the top level requirement to the market capability. The more requirements and capabilities overlap, the higher the probability of a commercial service. Commercial services allow us to deal with the market place on their terms providing more competition and lower prices, as well as faster methods to contract (FAR Part 12).

Revisit the Need

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14

For services, the commerciality decision must go one of two ways: It's either a commercial service or it is not. The contracting officer bases the decision on the definition of commercial services found in FAR Part 2. Essentially the same tasks must be performed commercially, although the contracting officer is given discretion in this area. Tasks must be priced to completion instead of "level of effort." Contracts will be fixed price.

In some cases, the decision will clearly be not commercial. However, many cases will straddle the definition. In these instances, the contracting officer summarizes why the service is not commercial- sometimes it's a small part of a task, a DoD unique requirement, or an overstated-requirement. Revisit the need with the requiring agency. The information the user needs to hear centers first on the reasons why this is not a commercial service, and, second, on the difference in schedule and cost. Finally, recommend the changes that would allow you to buy commercial. You don't make the decision, the user does. However, FAR Part 10 requires you to make the above effort.

Commerciality In Class

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Requirement	Vendor 1	Vendor 2	Vendor 3
A	No	No	Yes
B	Yes	No	No
C	Yes	Yes	Yes
D	No	Yes	Yes
E	No	No	Yes

Does market capability exist?



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15

In this exercise, you have a requirement with performance A-E. Conducting initial market research, you survey vendors 1-2-3 and look at their ability to meet the requirement. You end with this matrix.

What initial commerciality determination can you make? Enter your answer to the question on the exercise template handed out in class.

Don't get confused with source selection. We aren't making a source selection, we are conducting market research.

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Creating PWS


Must be certified as...


- Describe Outcomes
- Eliminate process-oriented requirements
 - Job description
 - Level of effort
 - Education

IAW SWAMPY AFB SOP 12

XX-Y

Reg
Army




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Performance-Based Work Statements
16

The performance work statement must describe the output: a satisfactory product that the contractors will present for acceptance. Desired outcomes may also be identified as Statements of Objectives (SOO), which allow contractors to propose statements of work to meet the objectives. In DoD we are accustomed to **process-oriented** requirements. We use them as shorthand without visualizing the impact on the contractor.


References to government documents are commonplace. Such reference should be information references. If procedures are specified, first ensure they are interfaces, then include the requirement in instructions to offerors.


Don't require education credentials to perform a task, let the contractor determine and propose the skill level.

Finally, level of effort is a no-no. Level of effort requires the contractor to make a best effort for a certain period of time or up to a dollar ceiling. Performance means completing the task. Solicit proposals for the task; don't take a chance on half-completion.

PWS Pitfalls

- **Procedures instead of Tasks**
- **Directing Contract Type**
- **Ambiguity**
- **Too Vague**
- **Too Specific**
- **Insufficient workload description.**



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Performance-Based Work Statements

17

This chart lists some of the pitfalls we need to beware of when writing performance-based requirements for the first time. A carry-over trait is telling the contractor “how to” perform the task. This limits initiative and makes the Government assume the full performance risk.

Contract type should be a matter of negotiation for the parties. While your acquisition plan should contemplate a certain contract type, don’t limit flexibility of either the Government or the contractor. We want fixed price, but the initial contract may be cost, where performance cannot be adequately defined.

In an attempt to define top level requirements only, being too specific or vague creates problems. Vagueness prevents offerors from homing in on your actual requirements. Specificity leads to point solutions. Don’t be so specific that only one solution can possibly work.

Share the historical workload. It will help offerors structure pricing and technical proposals - all of which benefit the Agency.

Measurable Performance Standards

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- Quality

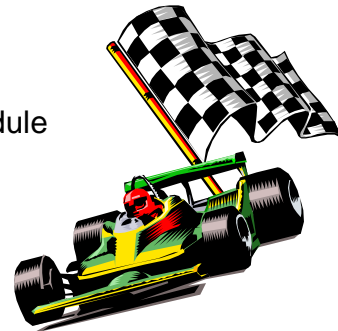
- Failure rates
- Customer satisfaction

- Timeliness

- Adherence to schedule
- Response time

- Quantity

- Performance bands
-



Performance-Based Work Statements

18

It's easy to look at a system and determine performance characteristics.

Speed? Mean time between failure? Miles per Gallon? Weight?


When we buy services, we must also determine performance standards. A few charts ago we said to visualize the result of the effort you are buying. How will you know whether the effort was good or bad? The chart suggests three areas where performance of services may be measured and some "how to" ideas.

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Interfaces


- Physical
- Electrical
- Communication
- Hardware/Software

Commercial Item?
YES!



A condition identified in the solicitation
but not a practice found in the
commercial industry sector requiring
special actions by contractors

Specify the Interface!


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19

Interfaces are normally discussed in relation to materiel requirements but they exist in service requirements as well. We find them in the area identified as “Communications”. An interface is a “black box” inserted between requirement and performance. It is the meeting point where the black box and the rest of the process come together. It may be a **non-customary business practice** in a particular commercial industry sector. The Government must clearly describe the interface.

Interfaces do not push commercial services across the Part 2 definition boundary and prevent us from procuring commercial services because they don’t change the basic nature of the service provided. Because of the nature of its business, DoD can be expected to have many interface requirements not found in the commercial sector. It could be as simple as requiring the grass-cutting contractor to contact flight operations and schedule performance in and around the Army airfield. It could also require formatting data, reports or other communications to interface with existing DoD software or reporting formats. We call this particular type of interface COMMUNICATION.


In-Class Exercise

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Interfaces

The Government reserves the right to periodically inspect the Contractor's vehicles and, if any vehicle is determined to be unsafe, or unsatisfactory, to prohibit its use until conditions have been corrected.

The Contractor must provide replacement vehicles to maintain the schedule



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Performance-Based Work Statements

20

1. Is this a condition [inspection of vehicles by the customer] you would expect to find in the commercial market?
2. Could this be an **Interface**? Or is the DoD simply requiring a higher standard? Higher than what?
3. Whose standard determines vehicle safety- usually the State or ICC set these standards?
4. How about "satisfaction"?


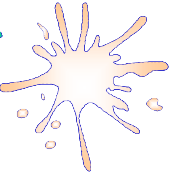
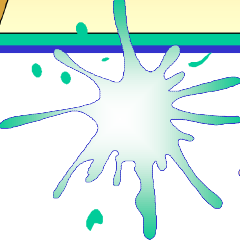


Enter your answers on the exercise template handed out in class and discuss the results.

In-Class Exercise

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CUSTODIAL SERVICES

BASIC SERVICE: Work shall be performed twice per week, the scheduled days shall be provided to the contracting officer within 15 calendar days of receipt of award.



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Performance-Based Work Statements

21

This Basic Services sentence leads off the schedule of services for an installations custodial services contract. Is a performance requirement stated?

What are the good and bad points of the requirement? What happens if a service is performed correctly twice per week, e.g. floor buffing, yet floors appear scuffed between scheduled buffing?

In Class Exercise

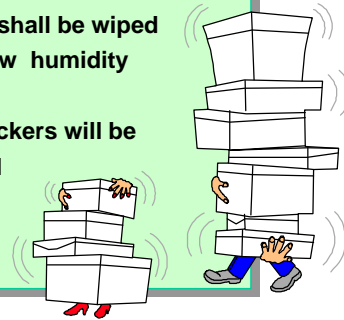
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Calibration of Equipment

Calibration/certification shall be made quarterly during the first week of Oct, Jan, Apr, and Jul. Contractor shall certify all scales with no break in service. Contractor will use the Fixed Tension method.

Gages, springs, weights and other equipment shall be wiped down with isopropyl alcohol and stored in a low humidity environment when not in use.

After repairs/adjustments have been made, stickers will be attached indicating date performed, item serial number, building location and name of person performing calibration.



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Performance-Based Work Statements

22

Questions to be answered in class:

What is the performance requirement?

Critique the existing work statement.

Evaluation Factors

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- **Mandatory Factors**
 - DoD Deviation
- **Price/Non-Price**
- **Discriminators**



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23

You already know that FAR requires evaluation of Past Performance and Cost/Price. You should also know that, effective February 1, 1998, Past Performance isn't a required evaluation for service contracts less than a million dollars. DoD processed a deviation to FAR until such time as they could put together a cohesive Past Performance policy. The deviation requires different rating areas and thresholds by commodity.

PBC encourages innovation. Innovation will invite a variety of technical approaches. The challenge will be to identify discriminators in the business sector. There is no point in evaluating "response time" for a requirement if market research shows little variance in the market sector.

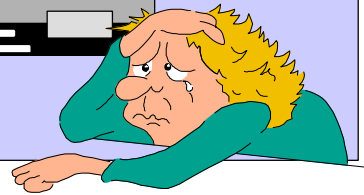
True discriminators have the following characteristics:

- A reasonable expectation of variance among offerors
- An assessable variance (either a quantitative or qualitative measurement)
- The requirement(s) warrants a comparative evaluation of that area

Evaluation Factors

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- Choosing
- Weighing
- Reliance on market research



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24

Here's another way of summarizing our evaluation factor selection process.

When we select evaluation criteria, we must limit our selection to those factors which reveal substantive differences or risk levels among competing offers. Too many factors will dilute the importance of any of them.


We also structure evaluation factors and their relative order of importance to clearly reflect the Government's need and facilitate preparation of proposals that best satisfy that need.


Does our evaluation factor exceed commercial industry performance standards?

In-Class Exercise

Evaluation Factors

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Factor	Priority	Weight
		


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Performance-Based Work Statements
25

Sample tasks = Past Performance > Price

The installation real property maintenance contract (JOC, SABER) will be competed for award. Notes from the user are as follows:

We think there is enough competition that the contractor's co-efficient will be competitive, so price is our least concern.

Past performance is important to weed out those contractors who write great proposals but perform badly. We'd like to see their records for as many as 6 similar contracts.

Equally important is their current ability. Many general contractors will wait until after competition to sub out certain functions. We'd like to have sample tasks as part of the competition

A template will be handed out in class; evaluation factors, priority and weight should be filled in and discussed.

Identifying Contract Method

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- Requirement
- Reliance on Commerciality
- Effect on contract type
- Task Order



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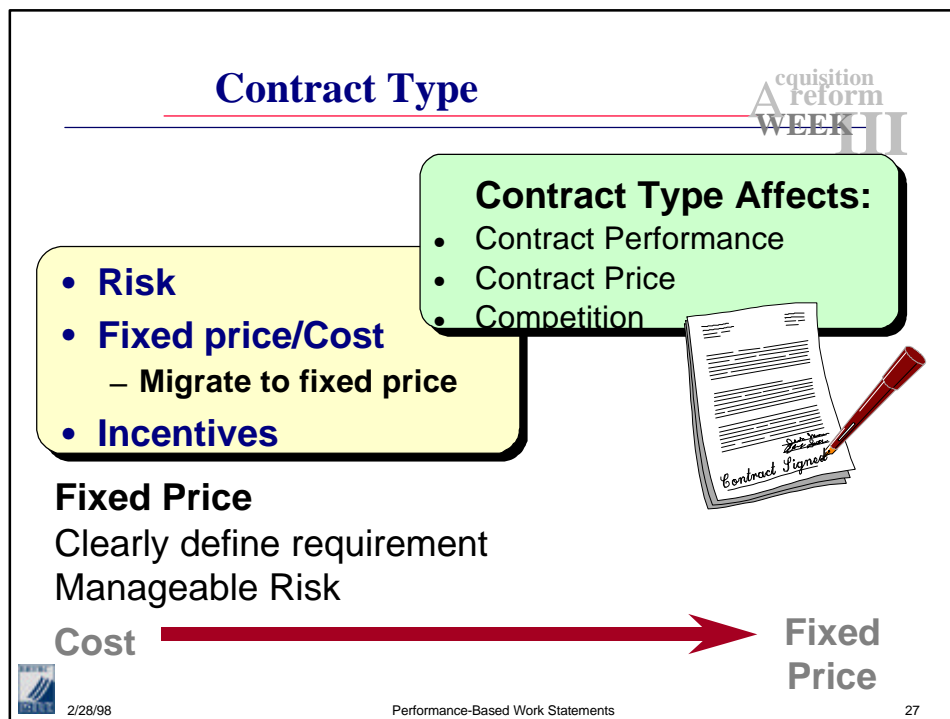
Performance-Based Work Statements

26

Contract method is the approach to contracting. The decision is to determine which approach provides the best value to the Government. The standard “methods” are: **SAP, Sealed Bid, Negotiation, and Commercial Item Acquisition which incorporates procedures from all other methods.** Any method may be used for service contracts. Among other things, the choice of contract method is dependent on the outcome of your commerciality determination- the comparison of the requirement to the capability in the commercial marketplace.

Negotiated, competitive contracts are still used- especially in the R&D area. Special studies, repair/service of DoD unique systems will still be performed initially with cost-type contracts

We want to use the method most appropriate to the circumstances that is expected to result in an offer that represents the greatest value to the Government. We determine the contract method based on many issues: the results of market research, commerciality, potential evaluation factors, and other planning issues.

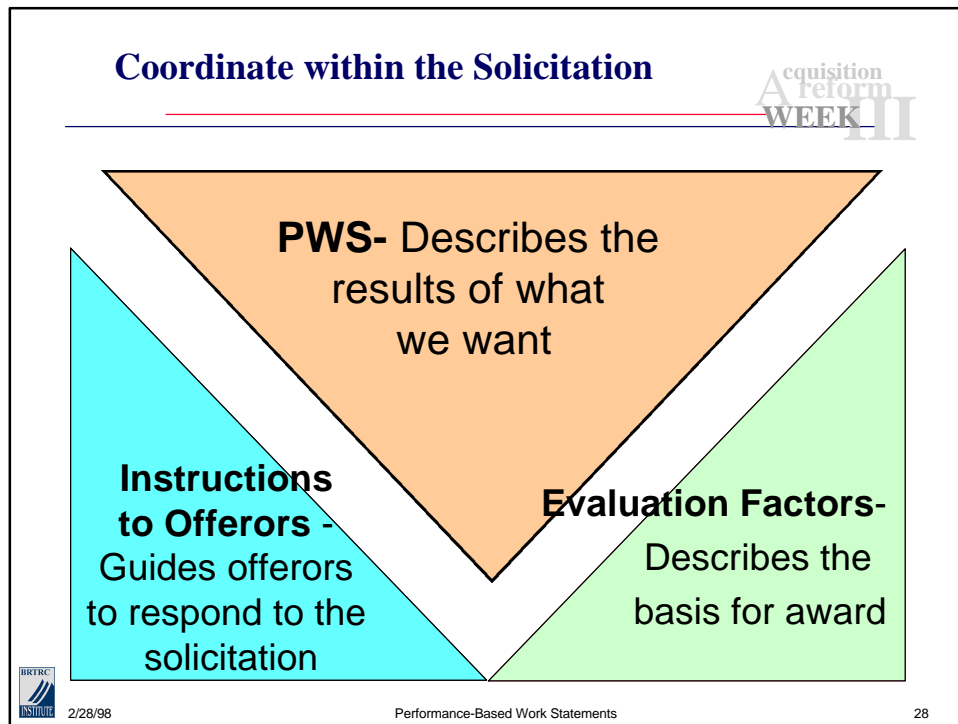


Encourage contractors to accept reasonable risks of contract performance at least equal to “normal business risk” found in the industry sector. However, requiring contractors to accept unknown or uncontrollable risk can endanger contract performance, substantially reduce competition and/or significantly increase contract price. Choosing the proper contract type (and thereby allocating risk) is an important business decision for the contracting officer.

Several categories of risk are tied to contract type. Cost risk has a significant impact. Schedule and Technical risk are affected by other factors such as the economic environment and requirements definition.

We determine Contract type by the amount of risk present at contract award. While a concise, well defined work statement should result in a fixed-price type contract, there are still circumstances where the description of the outcome is unclear, and a cost contract may be appropriate. Selecting the proper contract type will make the work more attractive to more potential offerors and thereby increase competition. Market research should be able to tell us what is “normal” business risk in this particular sector.

For repetitive requirements we want to reduce risk-by migrating from cost type toward fixed price contracts



We've done a lot of work so far to identify requirements, describe results, determine if incentives are appropriate. Now we must put on our "Business Manager" hat and create the solicitation we will give to potential offerors. This is also a critical step.

Whether we are using the Universal Contract format discussed in FAR Part 15 or the Commercial Contract format covered in Part 12, it is important that we coordinate the PWS with instructions to offerors and the evaluation factors to present a coherent solicitation package to potential offerors.

Summary

Acquisition
reform
WEEK III

- Acquisition plans for service contracts must discuss their performance-based nature
- Most services required by DoD may also be found in the commercial marketplace
- DoD requires performance under seemingly non-commercial conditions. Some conditions may be interfaces which do not prevent the use of commercial solutions.

Online Information Sites:

[Http://www.acq-ref.navy.mil/turbo/index.html](http://www.acq-ref.navy.mil/turbo/index.html)

[Http://www.gsa.gov:80/staff/v/training.htm](http://www.gsa.gov:80/staff/v/training.htm)

[Http://www.arnet.gov](http://www.arnet.gov)



2/28/98

Performance-Based Work Statements



29

This seminar highlights using performance-based contracts for services and the important issues and steps to create the Performance Work Statement (PWS). FAR initiatives we have discussed present opportunities to receive higher quality service for lower prices.

Today, we have discussed market research, measurable performance standards, interfaces, and the proper use of incentives when creating the PWS.

Every year the Federal Government contracts over \$100 billion in services. This alone demands that we use efficient and innovative approaches.

Remember, the main teaching points of this module are as follows: [Review before proceeding to the exercise]

- Acquisition plans for service contracts must discuss the performance-based nature of the acquisition or specifically state why such procedures were not used.
- Through the use of market research, most services required by DoD may also be found in the commercial marketplace. The use of commercial-based solutions present great benefit to DoD.
- Through the nature of its mission, DoD requires performance under seemingly non-commercial conditions. Some conditions may be interfaces which do not prevent the use of commercial solutions.

D i s c u s s i o n / E x e r c i s e T a s k s

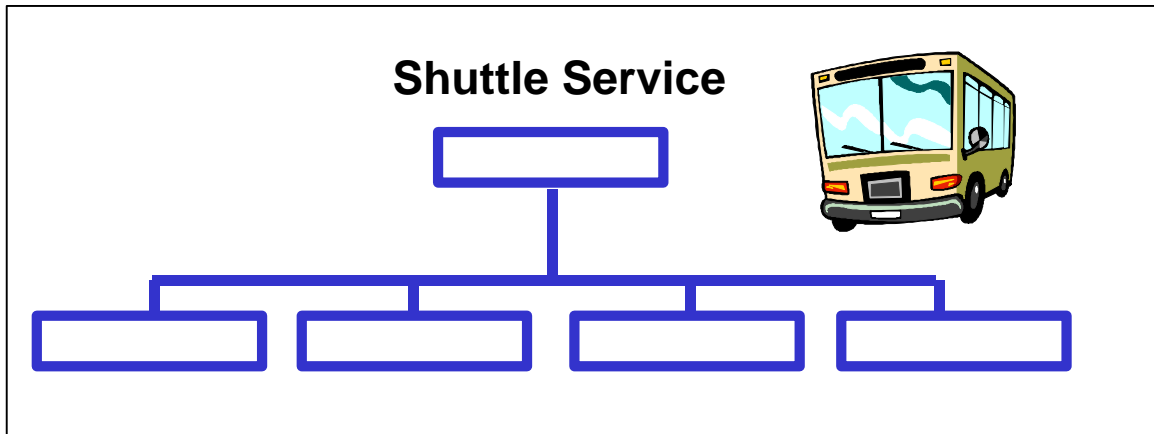
P e r f o r m a n c e - B a s e d
W o r k S t a t e m e n t s

c q u i s i t i o n

A R e f o r m
W e e k

Exercise Templates

1.



Fill in the WBS by identifying at least 4 requirements.

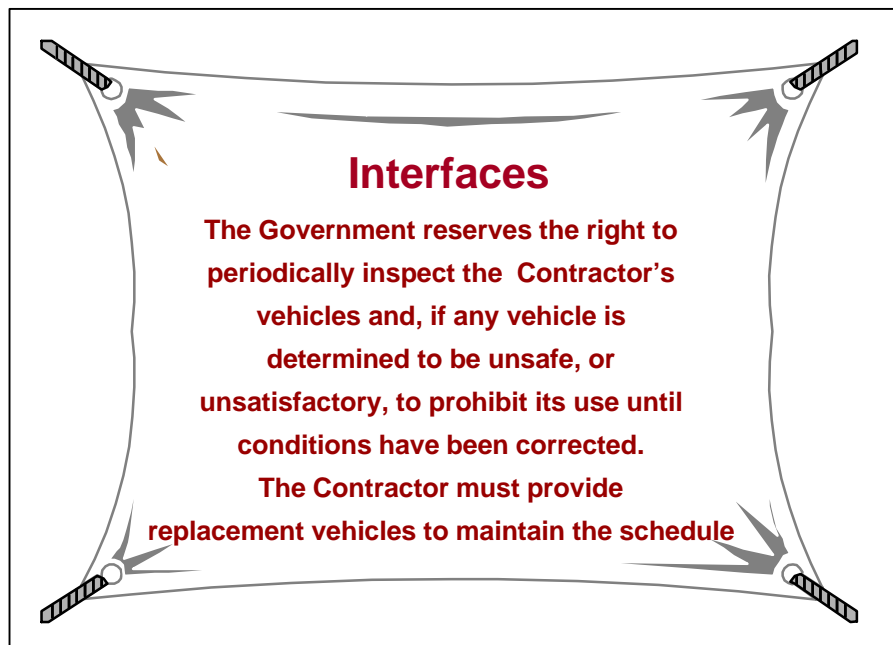
Discussion Question; Have you limited innovation by stating how to perform a task?

2.

Requirement	Vendor 1	Vendor 2	Vendor 3
A	No	No	Yes
B	Yes	No	No
C	Yes	Yes	Yes
D	No	Yes	Yes
E	No	No	Yes

What initial commerciality determination can you make?

3.



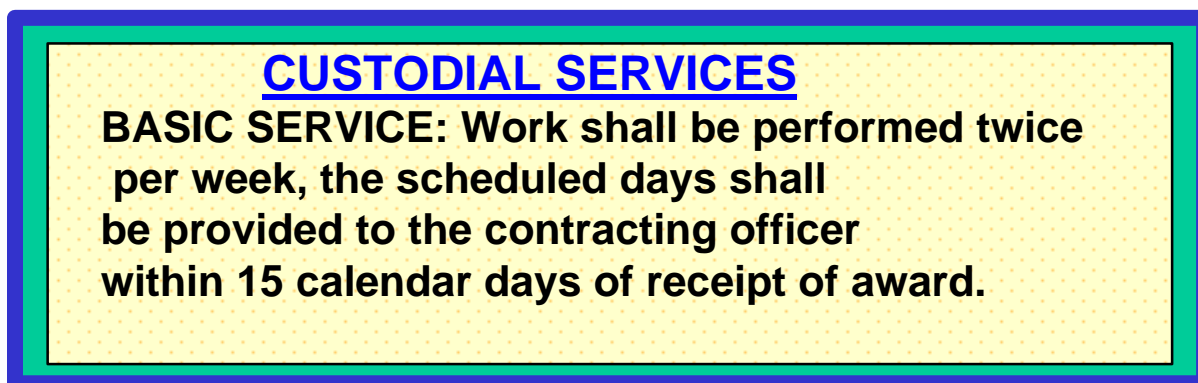
Is this a condition (inspection of vehicles by the customer) you would expect to find in the commercial market?

Could this be an interface? Or, is the DoD simply requiring a higher standard? If so, higher than what?

Whose standard determines vehicle safety – usually the State or ICC set these standards.

How about “satisfaction”?

4.



Is a performance requirement stated?

5.

Calibration of Equipment

Calibration/certification shall be made quarterly during the first week of Oct, Jan, Apr, and Jul. Contractor shall certify all scales with no break in service. Contractor will use the Fixed Tension method.

Gages, springs, weights and other equipment shall be wiped down with isopropyl alcohol and stored in a low humidity environment when not in use.

After repairs/adjustments have been made, stickers will be attached indicating date performed, item serial number, building location and name of person performing calibration.

What is the performance requirement?

Critique the existing work statement.

6.

Evaluation Factors		
<u>Factor</u>	<u>Priority</u>	<u>Weight</u>

Fill in the evaluation factors, priority and weight in the chart above.

acquisition

r e f o r m

W e e k
I I I

S o l u t i o n s

P e r f o r m a n c e -
B a s e d
W o r k
S t a t e m e n t s

Solution to In-Class Exercises

1. Possible Considerations: Schedule, Nodes, Comfort (AC/Heat/Cleanliness). The groups may think of many others.
2. COMMERCIAL ITEM! The ability to accomplish each requirement A to E exists in the marketplace. The fact that no single vendor surveyed can meet all the requirements is not relevant at this point. We can find that each requirement exists in the market place and therefore it can be classified a commercial service.
3. DoD should expect to pay more if contractor vehicles are held to a higher standard than that of the marketplace, and that the Contractor must keep additional vehicles ready in case one is found “unsafe”. Such “unsafe” standards must be clear in the solicitation.

If satisfaction is spelled out in terms of passenger comfort based on cleanliness and temperature control, the commercial business practice for this area should first be examined during market research.

4. Yes, provide the following services twice weekly and generate a schedule 15 days after award.
5. The real requirement is to calibrate quarterly with no breaks in service. Specifying the first week of certain months is an interface.

The end of the first paragraph shows the first problem. Requiring the Contractor to use the Fixed Tension (fictional) method is telling the contractor “how to” perform the requirement. This is called a point solution; it limits the contractors initiative.

Paragraph 2 describes how to maintain equipment. Unless this is Government Furnished Equipment (GFE), maintaining it is the contractor’s task not the Government’s.

Paragraph 3 may be an overstated requirement, an issue that will increase costs. Would date, serial number and initials on a contractor-provided label suffice?

6.

<u>Factor</u>	<u>Priority</u>	<u>Weight</u>
Price	3	20
Past Performance	1	40
Quality		Not rated
– Workforce Skill		
– Materials Quality		
Sample Tasks	1	40
Response Times		Not rated